

## DEPARTMENT OF HEALTH SERVICES

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SACRAMENTO, CA 95814  
(916) 445-1912

October 26, 1982



To: All County Welfare Directors

Letter No. 82- 56

## MEDI-CAL QUALITY CONTROL CHANGES REQUIRED BY AB 799

AB 799, Section 12 (Chapter 328, Statutes of 1982) modified by SB 2012, Section 28 (Chapter 1594, Statutes of 1982) mandates the Department of Health Services to expand its quality control review of Medi-Cal case records and to take certain steps to insure the accurate determination of Medi-Cal eligibility. The purpose of this letter is to inform counties of these changes in the Department's responsibilities and to provide you with information regarding the Department's implementation plan.

In order to comply with the new state law the Department's Quality Control and Evaluation Branch has begun an onsite review of a random sample of Medi-Cal cases in those sixteen counties with the largest Medi-Cal populations (See Attachment I). These reviews should be completed in March, 1983.

The Department is also required to establish annually a dollar error rate standard which shall be the basis for computing a county's liability for Medi-Cal eligibility and share of cost determination errors beginning with the 1983/84 fiscal year. The first statewide Medi-Cal dollar error rate standard will be calculated using the data collected from the case reviews currently being conducted in the sixteen largest counties and the dollar amounts paid for benefits received due to eligibility errors.

Additionally the Department is required to pass on to counties a portion of federal fiscal sanctions imposed on the Department if California's Medicaid eligibility dollar error rate is above federally established tolerance levels.

Finally, the Department may recoup from a county the additional administrative or program benefit costs above those costs which would have been incurred had the county not contravened the established state eligibility processing procedures.

The Department is currently in the process of developing appropriate regulatory language on the annual dollar error rate standard. We plan to seek county involvement in the development of these regulations through an advisory group. A public hearing on the proposed dollar error rate standard regulations is scheduled for March, 1983. Prior to the public hearing the proposed regulations will be made available to the counties.

For your reference we have attached a copy of SB 2012, Section 28 which contains the same wording found in AB 799, Section 12 with the exception of the two modifications to AB 799 shown in italic. Paragraphs (b), (d) & (e) are the portions which set forth departmental responsibilities.

Please send any comments you wish to make at this time on the Medi-Cal dollar error rate standard to Wade J. Williams, Chief, Quality Control and Evaluation Branch, 714 P Street, Room 650, Sacramento, CA 95814. It will be most helpful if we could receive your comments no later than November 15, 1982.

Comments on the other portions of the legislation may be sent to Carol Goodman, Chief, Eligibility Standards Section, 714 P Street, Room 1692, Sacramento, CA 95814.

Sincerely,

Original signed by

Madalyn M. Martinez, Chief  
Medi-Cal Eligibility Branch

Attachments

cc: Medi-Cal Liaisons  
Medi-Cal Program Consultants

Attachment I

Sixteen largest counties based on Medi-Cal population.

Alameda

Contra Costa

Fresno

Kern

Los Angeles

Orange

Riverside

Sacramento

San Bernardino

San Diego

San Francisco

San Joaquin

Santa Clara

Stanislaus

Tulare

Ventura

1 applicant statements, or conduct a full and complete  
2 investigation of such statements, whenever such a  
3 verification or investigation is warranted in the judgment  
4 of the county department.

5 (f) If documentation is unavailable, as defined in  
6 regulations promulgated by the department, the  
7 applicant's signed statement as to the value or amount  
8 shall be deemed to constitute verification.

9 SEC. 27. Section 14011.5 is added to the Welfare and  
10 Institutions Code, to read:

11 14011.5. The department shall be responsible for  
12 establishing the necessary systems for the identification,  
13 review and approval, disbursement, and reimbursement  
14 systems for those health services provided to the  
15 medically indigent population eligible for federal  
16 reimbursement under the Refugee/Cuban/Haitian  
17 Entrant Program.

18 SEC. 28. Section 14016 of the Welfare and Institutions  
19 Code is amended to read:

20 14016. (a) The county in which the person resides,  
21 except as specified in subdivision (c), shall determine the  
22 eligibility of, each person pursuant to Sections 14005.1,  
23 14005.4, and 14005.7 and Article 4.4 (commencing with  
24 Section 14140) of this chapter, except that the  
25 department may contract with the federal Social Security  
26 Administration for the determination of Medi-Cal  
27 eligibility of persons eligible under Title XVI of the Social  
28 Security Act. Upon termination of such assistance, the  
29 county shall determine whether the person remains  
30 eligible for Medi-Cal coverage under one of these  
31 sections.

32 (b) The department shall institute an eligibility  
33 quality control program, with onsite state auditors who  
34 shall verify the eligibility determination of a statistically  
35 valid sampling of persons in each county granted  
36 Medi-Cal eligibility under Section 14005.4, 14005.7, or  
37 14005.8 or Article 4.4 (commencing with Section 14140)  
38 of this chapter. The department shall report to the  
39 Legislature in May 1982, on the results of the quality  
40 control and on findings of errors.

1 (c) When family members maintain separate  
2 residences, but eligibility is determined as a single unit  
3 because of the provisions of Section 14008, the county in  
4 which the parent or parents reside shall determine the  
5 eligibility for the entire unit.

6 (d) In administering the provisions of law and  
7 regulations related to eligibility determination the  
8 director shall impose such sanctions as provided by this  
9 section to assure adequate county administrative  
10 performance.

11 (e) (1) The director shall hold counties financially  
12 liable for payments made on behalf of ineligible persons  
13 or persons with an incorrect share of cost as represented  
14 by a dollar payment error rate. There shall be established,  
15 annually, a dollar error rate standard which shall be the  
16 basis for computing a county's liability under this section  
17 commencing with the budget for the 1983-84 fiscal year  
18 to be applied on January 1, 1984. The standard for the  
19 1983-84 fiscal year shall be developed by January April 1,  
20 1983, and the department shall submit a report to the  
21 Legislature pertaining to development of that standard  
22 by July 1, 1983. For those counties which exceed the dollar  
23 error rate standard, liability shall not exceed the product  
24 of the dollar payment error rate in excess of the standard  
25 multiplied by the total expenditures paid under the  
26 program. The director may grant exceptions to these  
27 counties if the department is unable to establish a  
28 statistically valid sample or if the error in an individual  
29 county rate is above the standard due to natural disaster,  
30 job actions, or other occurrences as determined by the  
31 director.

32 (2) Notwithstanding the provisions of paragraph (1),  
33 if fiscal sanctions are imposed by the Department of  
34 Health and Human Services against the State  
35 Department of Health Services as a result of California's  
36 eligibility dollar error rate being above the federally  
37 established tolerance level for the Medicaid Quality  
38 Control program, the director shall pass on to the  
39 counties that portion of the sanction which can be  
40 attributed to an individual county's failure to properly

1 apply state laws and regulations. The State Department  
2 of Health Services shall develop a methodology for  
3 determining the amount of federal fiscal sanctions which  
4 shall be passed on to individual counties.

5 (3) When a county welfare department contravenes  
6 state eligibility processing regulations and written  
7 instructions in a way that produces increased program  
8 benefits or administrative expenses but doesn't result in  
9 an increase in the eligibility dollar error rate, the director  
10 shall recoup from that county the additional  
11 administrative or program benefit costs above those  
12 which would have been incurred had that county not  
13 contravened the established state eligibility processing  
14 regulations and written instructions. *This section shall*  
15 *not be construed to interfere with the rights of counties*  
16 *to out-station eligibility staff.*

17 SEC. 29. Section 14019.1 of the Welfare and  
18 Institutions Code is amended to read:  
19 14019.1. Any adult at least 21 years of age, who is  
20 eligible for services pursuant to Section 14005.4, except  
21 for an adult residing in a skilled nursing or intermediate  
22 care facility; or a woman of any age with a confirmed  
23 pregnancy, shall not be eligible to receive services under  
24 this chapter for any of the three months immediately  
25 prior to the month in which application is made.  
26 This section shall remain in effect only until January 1,  
27 1983, and on that date is repealed.

28 SEC. 30. Section 14021.5 of the Welfare and  
29 Institutions Code is amended to read:  
30 14021.5. (a) Notwithstanding any other provision of  
31 law, rates for reimbursing Short-Doyle mental health and  
32 drug services allowable under the Medi-Cal program and  
33 rendered to Medi-Cal beneficiaries under the  
34 Short-Doyle program shall continue to be based on the  
35 upper limits allowable under federal law and regulations  
36 for service services provided prior to July 1, 1980, ~~and~~ on  
37 the lower of reasonable cost and customary charges for  
38 services rendered provided July 1, 1980, through June 30,  
39 1982, and on the lowest of reasonable cost, customary  
40 charges, and rates paid by the Short-Doyle program for